

**CITY OF LAKE PARK, IOWA
INDEPENDENT ACCOUNTANTS' REPORT ON
APPLYING AGREED-UPON PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2020**

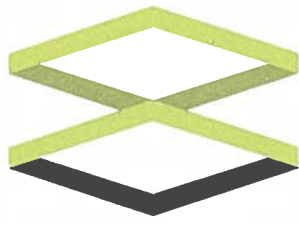
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CITY OF LAKE PARK, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>	
		Before <u>January 2020</u>	After <u>January 1, 2020</u>
Matt Carstensen	Mayor	January 2022	January 2022
Justin Kracht	Council Member	January 2024	January 2024
Gary Taber	Council Member	January 2024	January 2024
Jolene Ehlers	Council Member	January 2022	January 2022
Julie Baumgarn	Council Member	January 2022	January 2022
Neal Luitjens	Council Member	January 2022	January 2022
Marie Matthiesen	City Clerk/City Administrator	January 2020	January 2021
April Bosma	Attorney	January 2020	January 2021



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Officials of the City of Lake Park, Iowa (City):

We have performed the procedures listed in the attached schedule, which were established at Iowa Code Chapter 11.6 to provide oversight of certain Iowa cities, on the selected financial and accounting records and related information of the City of Lake Park for the year ended June 30, 2020, including procedures related to the City's compliance with certain Code of Iowa requirements. City of Lake Park management, which agreed to the performance of the procedures performed, is responsible for the selected financial and accounting records and related information of the City and for compliance with statutory requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached schedule either for the purpose for which this report has been requested or for any other purpose.

A detailed list of the procedures we performed, when applicable, is provided in the attached schedule. Based on the performance of the procedures listed, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed in the attached schedule.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the selected financial and accounting records and related information of the City including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting finding and recommendations pertaining to the selected financial and accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

Winther, Stave & Co., LLP

December 9, 2020
Spencer, Iowa

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF LAKE PARK

DETAILED RECOMMENDATION FOR THE PERIOD JULY 1, 2019 THROUGH JUNE 30, 2020

- (A) Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Duties should be segregated so the authorization, custody, and recording of transactions are not under the control of the same employee. However, we noted one individual generally has control over most aspects of financial transactions from inception to completion.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews and approvals should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Fire and Ambulance Payments - We noted the City pays the members of the Fire Department for going to calls and attending meetings. These payments are not included on Form W-2 or Form 1099 by the City.

Recommendation - We recommend payments be reported for services conducted for both Fire and Ambulance calls. In addition, we suggest the City evaluate whether the reporting of these payments should be done on Form W-2 or Form 1099.

- (C) Chart of Accounts - The City has not implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

Recommendation - To provide better financial information and control, the recommended COA, or its equivalent, should be followed.

SCHEDULE OF AGREED-UPON PROCEDURES PERFORMED

CITY OF LAKE PARK
GENERAL PROCEDURES

- A. Minutes:
1. Read minutes for the fiscal year ended.
 2. Select four (4) meetings during the year being examined and determine whether:
 - a. Minutes were properly signed as required by Chapter 380.7 of the Code of Iowa.
 - b. Meetings were preceded by proper notice. (Chapter 21.4 of the Code of Iowa).
 - c. The minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.
 - d. The passage of ordinances, amendments or resolutions were by a majority vote of all the members of the City Council rather than a majority vote of a quorum of the City Council as required by Chapter 380.4 of the Code of Iowa.
 - e. Minutes document the City Council followed proper proceedings for any closed sessions in accordance with Chapter 21.5 of the Code of Iowa.
 - i. The session was closed by affirmative roll call vote of at least two-thirds of the members.
 - ii. The specific exemption under Chapter 21.5 of the Code of Iowa was identified.
 - iii. Final action was taken in open session.
 - f. Minutes were published (or posted) within 15 days of the meeting as required by Chapter 372.13(6) of the Code of Iowa and included:
 - i. Total disbursements from each fund.
 - ii. A list of all claims allowed (including the reason for the claim).
 - iii. A summary of all receipts.
 - iv. A summary of ordinances or amendments adopted.
 - g. Determine that a complete text or summary of adopted ordinances/amendments was published in accordance with Chapter 380.7(3) of the Code of Iowa.
- B. Obtain copy of City's June 30 financial statement(s) and/or reports.
- C. Obtain a listing of the surety bond coverage for all officials and employees required by Chapters 64.13 and 64.15 of the Code of Iowa.
- D. Internal Control
1. Request the City Clerk complete an internal control checklist (ICC).
 2. Discuss with City Clerk the City's internal control procedures and processes documented in the completed ICC, including separately maintained records, if any.
 3. Document findings identified.
- E. Inquire of the City's management about whether it is aware of actual or suspected fraud or any allegations (e.g. communications from employees or others).
- F. Immediately contact the Manager/Partner if fraud or embezzlement is suspected. Ensure the appropriate officials are notified after contacting the Manager/Partner. Chapter 11.6 of the Code of Iowa requires a CPA firm and the City to notify the Auditor of State immediately regarding any suspected embezzlement, theft, or other significant financial irregularities. If federal funds are involved, the appropriate U.S. Regional Inspector General should be notified.

CITY OF LAKE PARK

CASH AND INVESTMENTS PROCEDURES

- A. Observe cash on hand, if any.
- B. Obtain one (1) monthly Clerk's report provided to the City Council. Determine the report foots and trace ending fund balances to the general ledger. Determine report contains all transaction classes and beginning and ending fund balances.
- C. Cash In Bank and Investments:
 - 1. Inquire whether bank reconciliations for all bank and investment accounts are performed monthly and are reconciled to total fund balances for all funds.
 - 2. Inquire whether bank reconciliations are reviewed by an independent person.
 - 3. Obtain bank reconciliations for two (2) months and perform the following:
 - a. Agree reconciling items other than outstanding checks to supporting documentation.
 - b. Recalculate the bank reconciliation(s).
 - c. Not used.
 - d. Obtain a list of outstanding checks at the end of the selected month(s). Determine the list of outstanding checks includes check number, amount and date written for each listed check and the listed outstanding checks subsequently cleared the bank.
 - 4. Trace reconciled balance for selected months to general ledger account balances and to monthly reports provided to the City Council.
 - 5. If the City does not prepare bank reconciliations, perform a reconciliation for at least one month.
 - 6. Inquire whether the unclaimed property report per Chapter 556.1(12) of the Code of Iowa has been submitted to the State Treasurer annually before November 1 as required by Chapter 556.11 of the Code of Iowa.
 - 7. Obtain a copy of the current depository resolution and inquire whether the depository resolution includes all depositories used by the City and has been approved as required by Chapter 12C.2 of the Code of Iowa.
 - 8. Obtain a copy of the City's adopted written investment policy as required by the provisions of Chapter 12B.10B of the Code of Iowa.
 - 9. Obtain a schedule of investment transactions and balances for the same two (2) months (selected in procedure 3 above) and trace applicable investment balances to the bank reconciliations.
 - 10. Determine investments held at the end of the selected months were allowed by the City's adopted investment policy and statutory provisions of Chapter 12B.10 of the Code of Iowa, as applicable.

CITY OF LAKE PARK

LONG-TERM DEBT PROCEDURES

- A. Inquire whether long-term debt exists (bonds, notes, lease-purchase agreements, deferred payment contracts, real estate contracts, loans, TIF development agreements, local option sales tax debt).
 - 1. Inquire whether the debt is accounted for accurately.
 - 2. Determine general obligation debt payments were recorded in the Debt Service Fund as required by Chapter 384.4 of the Code of Iowa.
- B. Issuance of Debt:
 - 1. Read authorization in Minutes for any debt issuances during the year.
 - 2. Obtain documentation of procedures for bonds or notes sold during the current year and determine compliance with Chapter 75, 384, and 403.9 of the Code of Iowa.
 - 3. Determine debt proceeds were recorded in the City's general ledger and trace proceeds to cash receipts record and bank statement.
- C. For current issuances, determine if the City has established written procedures to monitor compliance with the arbitrage yield restrictions and rebate requirements under Section 148 of the Federal Internal Revenue Service Rules and obtain documentation of procedures.

CITY OF LAKE PARK

TAX INCREMENT FINANCING PROCEDURES

- A. Determine tax increment financing (TIF) collections were recorded in a separate Special Revenue Fund (TIF fund) as required by Chapter 403.19 of the Code of Iowa.
- B. Determine the TIF collections in the TIF fund, if paid out, 1) were disbursed or transferred to pay TIF obligations that, per inquiry of client, qualify for payment (within the urban renewal plan) from TIF collections and 2) such obligations were previously certified to the County Auditor as TIF debt and/or LMI.
- C. Obtain a copy of the Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation prepared by the County Auditor.
 1. Determine the Reconciliation identifies the City's certified TIF obligations.
 2. Determine whether the Reconciliation includes unauthorized or unallowed obligations.
- D. Determine the following regarding the Tax Increment Debt Certificate due December 1 of the most recent fiscal year ended obtained from client:
 1. The Certificate was filed by December 1.
 2. The amounts certified on Form 1 and Form 1.1, or equivalent documents, were for TIF debt not previously certified.
 3. The amounts certified on Form 1 and Form 1.1, or equivalent documents, were supported and represent loans, advances or other qualified indebtedness or bonds which qualify for payment from the TIF revenues of the urban renewal area in which the debt was certified.
 4. The qualified TIF indebtedness is for a program in the urban renewal area, for an activity covered by the allowable list in Chapters 403.6(6) and 403.12(1) of the Code of Iowa, for a project covered by the plan and must further the goals of the plan.
 5. If applicable, determine if the general obligation date certified is correct. Only the portion of the debt funded by TIF revenues should be certified. Any portion of the debt funded by levying debt service dollars should be excluded.
 6. The City used Form 2, or an equivalent document, to properly reduce the TIF request if/when the total amount of the legally available TIF increment tax was not wanted.
 7. The City certified Form 3, or an equivalent document, to reduce the amount previously certified by December 1 in the year action was taken, if any, which resulted in the reduction, as required by Chapter 403.19(5)(b) of the Code of Iowa.
- E. Annual Urban Renewal Report
 1. Obtain the urban renewal report due December 1st of the fiscal year under examination and determine the:
 - a. Report was approved by the City Council.
 - b. Report was filed on or before December 1st.
 - c. Amounts reported on the Levy Authority Summary agree or were reconciled with City records.
 - d. TIF collections have ceased for TIF taxing districts that have statutorily ended.
 2. Obtain the City's detailed TIF obligations (debt) listings and determine "TIF Debt Outstanding" on the Levy Authority Summary includes the following:
 - a. Certified Debt - TIF obligations outstanding, including principal and interest, certified to the County Auditor as of July 1st of the period covered by the urban renewal report **and**,
 - b. Certifiable Debt - Outstanding TIF obligations incurred during the fiscal year covered by the urban renewal report, including annual appropriation debt not yet certified.

CITY OF LAKE PARK

TAX INCREMENT FINANCING PROCEDURES - Continued

3. Inquire whether rebate agreements, if any, have been properly reported as project(s), including total debt and expense.
 4. Inquire whether TIF collections remaining after an urban renewal area is no longer active, if any, were returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa.
- F. For urban renewal areas with public improvements related to housing and residential development, inquire whether assistance for low and moderate income (LMI) housing was provided in accordance with Chapter 403.22 of the Code of Iowa.

CITY OF LAKE PARK

FUND BALANCE PROCEDURES

- A. Inquire whether the City is using fund accounting and each fund is properly classified in accordance with the City Finance Committee's recommended Uniform Chart of Accounts (COA).
- B. Determine and document the financial information provided to the City Council monthly. Determine whether the information provided includes:
 - 1. A City Clerk's report showing receipts, disbursements, transfers, and balances for each fund.
 - 2. Comparison of actual disbursements to budget by function.
- C. For enterprise funds with revenue bonds/notes and deficit balances, inquire if there is a net earnings violation.
- D. Determine if deficits exist in other funds.
- E. Inquire whether projects are appropriately accounted for in separate capital projects accounts.
- F. Inspect journal entries and/or other adjustments made directly to the general ledger:
 - 1. Select two journal entries and determine whether:
 - a. The journal entries/adjustments are supported by documentation.
 - b. The journal entries/adjustments are approved by an independent person and there is documented evidence of the approval.
- G. For the Annual Financial Report (AFR) for the most recent fiscal year ended:
 - 1. Compare AFR to City's general ledger to determine if the following amounts agree:
 - a. Beginning and ending fund balances.
 - b. Road Use Tax transactions reported in the Special Revenue fund.
 - c. Total receipts and disbursements.
 - d. Judgmentally select three receipt items and three disbursement items from the detail pages to determine if these are supported by the City's records.
- H. Transfers:
 - 1. Obtain a list of all fund transfers during the year.
 - 2. Select two transfers and agree to supporting documentation.
 - 3. Determine transfers were recorded in the general ledger in the intended fund.
 - 4. Trace transfers made to an approved fund transfer resolution.

CITY OF LAKE PARK
RECEIPTS PROCEDURES

- A. Inquire whether the City is using the Uniform Chart of Accounts (COA) to classify receipts in the general ledger.
- B. For one month during the fiscal year, reconcile general ledger receipts to deposits per the bank statement and discuss with client the possibility of undeposited and/or unrecorded receipts.
 - 1. If records are available, compare the City general ledger reports of cash and checks recorded to deposit slips, cash, and checks.
 - 2. Inspect voided receipts for independent review.
- C. Property Tax:
 - 1. Observe that electronic deposit of twelve monthly property tax payments during the year are listed on bank statements.
 - 2. Trace one month's property tax collections to general ledger posting.
 - 3. Total property tax collection for the fiscal year and compare the total to the final budget.
- D. Governmental Revenue:
 - 1. Obtain copy of payments from State departments and obtain from client a reconciliation of amounts with the general ledger.
- E. Enterprise/Ambulance Revenues (Water, Sewer, Electric, Ambulance, etc.):
 - 1. Obtain a copy of a year-end list of delinquent accounts.
 - 2. Obtain a copy of one monthly reconciliation of billings, collections, and delinquent accounts.
 - a. If not available, compare total amounts billed per billings register to amounts deposited in the bank account in following month.
 - b. If available:
 - 1) Agree total billings to billings register and collections to amounts deposited in the bank account.
 - 2) Not used.
 - 3. Obtain listing of all City officials' accounts (including the Utility Clerk's account). For Utility Clerk and one other official, trace billing from a selected month to collection/deposit in the bank account.
- F. General:
 - 1. Obtain receipts detail for miscellaneous receipts during one month of fiscal year and agree to supporting documentation.
 - 2. Obtain deposit tickets for one month and list the amounts of currency deposited by types of receipts received in currency.
- G. Local option sales tax (LOST):
 - 1. Obtain a copy of the ballot authorizing the local option tax.
 - 2. Inquire whether local option sales tax receipts were expended as required by local ballot provisions.
 - 3. Determine if the City is tracking individually the allocated unspent balance in accordance with the local ballot provisions.
- H. Inquire whether voter approved levies, as noted on the Adoption of Budget and Certification of City Taxes, were properly authorized in accordance with Chapter 384.12 of the Code of Iowa.

CITY OF LAKE PARK
DISBURSEMENTS PROCEDURES

- A. Obtain a schedule of all related party transactions with officials or employees for the fiscal year and inquire whether transactions were entered into in compliance with Chapter 362.5 of the Code of Iowa.
- B. Obtain disbursement journal or detail for miscellaneous disbursements during one month of fiscal year and agree to supporting documentation.
- C. From a list of all cancelled checks/images:
 - 1. Request a list of all checks to City personnel (non-payroll), occasional or one-time vendors, and "Cash", and inspect checks payable to the City Clerk and other personnel authorized to issue/sign checks.
 - a. Total amount and frequency of inspected checks.
 - b. Trace inspected checks to supporting documentation.
 - 2. Select five (5) consecutive checks including ACH payments from alternating months and agree:
 - a. The disbursement to supporting documentation. If not supported, inquire as to the purpose of the disbursement.
 - b. The amount and payee on the check to the general ledger posting.
 - c. Disbursement to authorization by the City Council.
 - d. Credit card transactions to approval and supporting documentation.
 - e. Disbursement to function classification in COA.
 - f. The disbursement to documentation as to how the expenditure meets the test of public purpose, if any.
- D. Inspect all bank statements for erasures/alterations.
- E. If canceled checks are not received with bank statements, determine whether both the front and back of electronic check images are received as required by Chapter 554D.114(5) of the Code of Iowa.
- F. Inquire whether the City applied for and received sales tax refunds on completed projects unless an exemption certificate was issued by the City for the contractor as required by Chapter 423.3(80)(b) of the Code of Iowa.
- G. Budgets:
 - 1. Determine the annual budget and amendments, if any, were properly authorized and certified, including whether the notice of public hearing for the original budget and any amendments was properly published in accordance with Chapters 384.16(3) and 384.18(2) of the Code of Iowa.
 - a. Determine the notice of public hearing was posted or published at least 10 days and not more than 20 days prior to the hearing date.
 - b. Determine the tax levy and disbursements adopted are not greater than amounts posted/published.
 - 2. Obtain a schedule of disbursements by function and compare with the budget or amended budget.

CITY OF LAKE PARK
PAYROLL PROCEDURES

- A. Select five (5) payroll transactions from throughout the year to determine:
 - 1. Authorization for gross pay or hourly rate by City Council.
 - 2. Approval of hours worked is documented.
 - 3. The number of hours paid per the payroll journal agrees to hours worked per approved timesheets (for hourly employees).
- B. City Clerk and/or Payroll Clerk Pay:
 - 1. If salaried, reconcile the approved salary for the City Clerk to the City Council approved salary.
 - 2. If hourly, test one selected paycheck for the City Clerk to determine the hourly rate paid agrees to the Council approved hourly rate.
- C. Obtain documentation showing wage increases are approved by the City Council as an hourly rate or salary and not just a percentage increase.
- D. Inspect copies of Forms 941, W-2, and 1099 filed with the IRS.